

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Petition for Waiver of the Commission's) FO Docket No. 91-301
Emergency Alert Requirements for) FO Docket No. 91-171
Cable Television Systems)

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

To: Joseph Casey
Chief, Technical & Public Safety Division
Enforcement Bureau

PETITION FOR WAIVER

Nucentrix Broadband Networks, Inc. ("Nucentrix") respectfully requests a waiver of section 11.11(a) of the Commission's rules.¹ Specifically, Nucentrix seeks a waiver of, or in the alternative, a temporary 36-month extension of time to comply with, the Emergency Alert System ("EAS") requirement for wireless cable system operators with fewer than 5,000 subscribers. Section 11.11(a) requires wireless cable systems serving fewer than 5,000 subscribers from a single transmission site to either provide national level EAS messages on all programmed channels or install EAS equipment and provide a video interrupt and audio alert on all programmed channels and EAS audio and video EAS messages on at least one programmed channel by October 1, 2002. In 1997, the Commission provided financial relief for small cable systems and stated that it would grant a waiver of the EAS rules to small cable systems on a case-by-case basis upon a showing of financial hardship.² As set forth below, Nucentrix seeks a

¹ 47 C.F.R. § 11.11(a).

² Amendment of Part 73, Subpart G, of the Commission's Rules Regarding the Emergency Broadcast System, *Second Report and Order*, FO Docket Nos. 91-171/91-301, 12 FCC Rcd 15503, 15513 (1997).

waiver of the EAS requirement for each of its wireless cable systems³ because it is in the process of converting its wireless cable systems to systems that will carry only broadband Internet and other advanced wireless communications services not subject to the EAS requirements. Due to this ongoing conversion and the financial condition of Nucentrix, installation of compliant EAS equipment is not financially viable for Nucentrix.

I. Nucentrix Video Services and the Conversion to Broadband Wireless Services.

Nucentrix provides broadband wireless Internet and multichannel video services in medium and small markets across Texas, Oklahoma and the Midwest. Nucentrix currently operates MDS/MMDS/ITFS wireless cable systems in fifty-five video markets. However, as part of its long-term plan to convert the use of its spectrum to broadband Internet and other advanced wireless services, Nucentrix recently took steps to switch substantially all of its wireless cable subscribers to programming provided by other video programming providers, which effectively will terminate its wireless cable video operations. Under agreements with DIRECTV, Inc. ("DIRECTV") and Pegasus Satellite Television, Inc. ("Pegasus"), Nucentrix will transfer the majority of its multichannel video subscribers to direct broadcast satellite ("DBS") programming provided by DIRECTV and Pegasus. Nucentrix has also entered into an agreement with an affiliate of Time Warner Cable to shift the remainder of its subscribers to cable service provided by Time Warner Cable.

Once its video subscribers have been given adequate opportunity to switch to another video provider, Nucentrix will begin the conversion of its systems to provide wireless broadband services in place of programmed video channels. Nucentrix currently expects to complete the

³ Nucentrix's wireless cable markets are listed in Attachment A.

transition of its cable subscribers to other video providers by the end of 2003.⁴ Although Nucentrix may continue to operate a small number of its wireless cable systems beyond 2003 to facilitate an orderly transition for its subscribers, the company is unable to identify those systems at this time.

Because the Commission does not require channels not used for video programming to carry EAS messages or alerts,⁵ Nucentrix would have no use for EAS equipment once it ceases to provide video programming. Thus, based on its imminent conversion to broadband wireless Internet and other data and voice services, Nucentrix seeks a waiver of the EAS requirements for each of those systems that will be shut down during the transition. As noted above, Nucentrix expects to cease operation in most of its wireless cable systems over the course of the next year. To the extent Nucentrix continues the operation of any of its wireless cable systems beyond any applicable waiver period, it would take the necessary steps to install EAS equipment on those systems; however, Nucentrix requests a 36-month temporary waiver of the EAS requirements for those wireless cable systems on which the company continues to provide any video programming.

II. Financial Status of Nucentrix and the Cost of EAS Compliance.

Nucentrix operates its wireless cable systems at a loss. Attached to this Petition are the following financial statements of Nucentrix: (i) unaudited balance sheet, income statement and statement of cash flows included in Nucentrix's quarterly report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") for the second quarter of 2002; (ii) audited

⁴ During the conversion to broadband services, Nucentrix plans to rebroadcast the signal of local broadcast networks on its licensed and leased spectrum, but it will not have a paying subscriber base.

⁵ Amendment of Part 73, Subpart G, of the Commission's Rules Regarding the Emergency Broadcast System, *Second Report and Order*, 12 FCC Rcd 11503, 15523 (1997).

balance sheet, income statement and statement of cash flows included in Nucentrix's annual report on Form 10-K filed with the SEC for 2001; and (iii) audited balance sheet, income statement and statement of cash flows included in Nucentrix's annual report on Form 10-K filed with the SEC for 2000.⁶ A review of these financial statements illustrates the company's financial condition. Nucentrix has incurred operating losses since its inception. Its operating loss for the first six months of 2002 was over \$15 million. As reported in its Form 10-Q for the second quarter of 2002, the company expects that current cash on hand and cash generated from operations will fund operations only through the second quarter of 2003, and the company plans to seek additional capital before the end of 2002. However, in a time of restricted access to capital markets, the company can provide no assurance that such capital will be available in a timely manner or on acceptable terms. Accordingly, the company cannot afford the additional expense of purchasing and installing EAS equipment that will be used only for a few months prior to the termination of video services.

Due to its financial condition and the small size of its systems' subscriber base, it is not economically feasible for Nucentrix to purchase and install the necessary EAS equipment for the limited time it plans to continue operation of its video programming service. Nucentrix operates small wireless cable systems in medium and small markets. The number of subscribers in each of its markets ranges from a low of 53 subscribers in Beloit, KS to a high of 3,997 subscribers in Sherman-Denison, TX.⁷ The average system subscriber base is approximately 975. In addition, based on price quotes provided by EAS equipment manufacturers, the cost of installing EAS

⁶ See Attachment B.

⁷ Attached to this Petition is a list the markets served by Nucentrix and the number of subscribers in each market. See Attachment A.

systems in Nucentrix's markets is prohibitively high. Nucentrix estimates that it would cost over \$250,000 to bring all of its existing cable systems into compliance with the EAS requirements.

III. Likelihood of Hazardous Risks and Alternative Sources of EAS Information.

Nucentrix's cable systems are located in medium and small markets across Texas, Oklahoma and the Midwest, where the most likely hazards are weather emergencies, such as tornadoes, hurricanes, and flooding. Tornadoes pose the most serious and common threat to many of the communities served by Nucentrix because they are located in "Tornado Alley." Because of the severity and frequency of these weather emergencies, however, numerous alternative sources of emergency alert information exist in these communities.

Although Nucentrix's cable programming selections vary by the number of available channels in the cable system, all of its systems rebroadcast the programming of the local affiliates of the major broadcast networks, which carry news and information on text crawlers and interrupt programming in the event of an emergency. In addition, almost all of the Nucentrix systems also provide at least one 24-hour news network such as CNN, which provides breaking national news at all times. In addition, many of its systems carry The Weather Channel, which provides information on national and local weather events. Thus, during the period that Nucentrix continues to provide video programming, its subscribers will have access to multiple alternative sources of emergency information through their Nucentrix service.

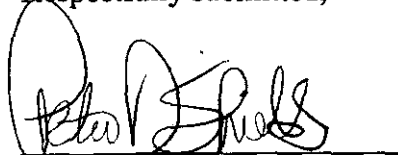
The company believes that there is a competing cable service provider in each one of the company's fifty-five markets, although it is not likely that 100% of all households in each of these markets is passed by these competitors. Many of Nucentrix's markets are served by major MSOs such as AT&T Broadband, Time Warner Cable, Cox Communications, and CableOne. DBS programming, which includes news and other content that carries emergency information, is also available in Nucentrix's coverage areas. In addition to subscription services, subscribers

have access to EAS information through over-the-air reception of broadcast television and radio stations in their communities. Furthermore, civil defense siren systems provide notice of tornadoes and serious weather systems in many of the communities served by Nucentrix. Thus, Nucentrix subscribers have access to numerous alternative sources of emergency information.

V. Conclusion.

For the reasons explained above, Nucentrix respectfully requests waiver of the EAS requirements in section 11.11(a) for all of its wireless cable systems. Alternatively, Nucentrix requests a 36-month extension of time to comply with the requirements, during which time Nucentrix expects to have completed its conversion of its wireless cable subscribers and ceased its video operations.

Respectfully submitted,



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Dated: September 26, 2002

ATTACHMENT A

Nucentrix Wireless Cable Markets

Market	Number of Subscribers
Abilene, TX	904
Ada, OK	1705
Ardmore, OK	1804
Austin, TX	1279
Beloit, KS	53
Sterling, KS	113
Champaign, IL	763
Chanute, KS	531
Corpus Christi, TX	3747
Corsicana, TX	442
Enid, OK	2408
Freeport, IL	125
George West, TX	1329
Hamilton, TX	512
Jacksonville, IL	251
Jourdanton, TX	295
Kerrville, TX	133
Kingsville, TX	797
Laredo, TX	1045
Lawton, OK	3019
Lindsay, OK	1356
Lubbock, TX	1195
Macomb, IL	589
Manhattan, KS	370
Marion, KS	171
McAlester, OK	308
McLeansboro, IL	467
Medicine Lodge/Anthony, KS	553
Midland/Odessa, TX	2705
Monroe City, MO	208
Montgomery City, MO	85
Mt. Pleasant, TX	701
Muskogee, OK	261
Gainesville, TX	436
O'Donnell, TX	205
Olney, IL	304
Olton, TX	274
Paragould, AR	327
Paris, TX	1101
Peoria, IL	251
Ranger, TX	560
Sikeston, MO	497
Stillwater, OK	1978
Taylorville, IL	616
Temple, TX	2976
Texarkana, TX	328
Sherman/Denison, TX	3997
Tulsa, OK	3514
Uvalde, TX	359
Vandalia, IL	446
Waco, TX	1488
Watonga, OK	574
Weatherford, OK	313
Wichita Falls, TX	1359
Woodward, OK	1683

ATTACHMENT B

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2002 (Unaudited)	December 31, 2001
Current assets:		
Cash and cash equivalents.....	\$ 11,556	\$ 15,364
Restricted assets – investment in certificates of deposit...	23	300
Subscriber receivables, net of allowance for doubtful accounts of \$116 and \$137, respectively.....	475	545
Other receivables.....	1,063	510
Prepaid expenses and other.....	580	943
Total current assets.....	<u>13,697</u>	<u>17,662</u>
Systems and equipment, net.....	13,049	22,670
License and leased license investment, net.....	55,057	57,586
Lease receivable.....	1,749	1,974
Other assets, net.....	4,852	4,290
Total assets.....	<u>\$ 88,404</u>	<u>\$ 104,182</u>
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 12,550	\$ 12,627
Current portion of long-term debt and capital lease obligations.....	2,516	2,423
Total current liabilities.....	<u>15,066</u>	<u>15,050</u>
Long-term debt and lease obligations, less current portion	9,553	10,601
Other long-term liabilities.....	5,233	4,878
Stockholders' equity:		
Preferred stock, \$.01 par value; 15,000,000 shares authorized; none issued.....	—	—
Common stock, \$.001 par value; 30,000,000 shares authorized; 10,404,443 and 10,402,814 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively.....	10	10
Additional paid-in capital.....	153,775	153,822
Accumulated deficit.....	(95,233)	(80,179)
Total stockholders' equity.....	<u>58,552</u>	<u>73,653</u>
Commitments and contingencies.....		
Total liabilities and stockholders' equity.....	<u>\$ 88,404</u>	<u>\$ 104,182</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues.....	\$ 9,981	\$ 12,608	\$ 20,554	\$ 26,524
Operating expenses:				
System operations	5,629	6,605	11,492	13,918
Selling, general and administrative	5,429	6,913	10,996	14,242
Depreciation and amortization	6,306	6,328	13,082	13,506
Total operating expenses.....	<u>17,364</u>	<u>19,846</u>	<u>35,570</u>	<u>41,666</u>
Operating loss	(7,383)	(7,238)	(15,016)	(15,142)
Other income (expense):				
Interest income	102	263	189	641
Interest expense	(269)	(309)	(551)	(631)
Other	219	208	324	376
Total other income (expense).....	<u>52</u>	<u>162</u>	<u>(38)</u>	<u>386</u>
Net loss	<u>\$ (7,331)</u>	<u>\$ (7,076)</u>	<u>\$ (15,054)</u>	<u>\$ (14,756)</u>
Net loss per common share – basic and diluted	<u>\$ (0.70)</u>	<u>\$ (0.69)</u>	<u>\$ (1.45)</u>	<u>\$ (1.44)</u>
Weighted average shares outstanding – basic and diluted	<u>10,404</u>	<u>10,328</u>	<u>10,403</u>	<u>10,278</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net loss.....	\$ (15,054)	\$ (14,756)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization.....	13,082	13,506
Gain on sale of assets.....	(322)	(310)
Write-down of Fresh Start intangible assets.....	—	2,530
Stock-based compensation.....	(47)	146
Changes in operating assets and liabilities:		
Restricted cash.....	277	281
Subscriber and other receivables.....	(443)	618
Prepaid expenses and other assets.....	(477)	(1,767)
Accounts payable, accrued expenses and other liabilities.....	527	(2,339)
Net cash used in operating activities.....	<u>(2,457)</u>	<u>(2,091)</u>
Cash flows from investing activities:		
Proceeds from sale of assets.....	221	287
Purchases of systems and equipment.....	(727)	(1,243)
Expenditures for licenses and leased licenses.....	(75)	(242)
Proceeds from note receivable.....	205	186
Net cash used in investing activities.....	<u>(376)</u>	<u>(1,012)</u>
Cash flows from financing activities:		
Payments on short-term borrowings and notes payable...	(214)	(227)
Payments on long-term debt.....	(761)	(795)
Net cash used in financing activities.....	<u>(975)</u>	<u>(1,022)</u>
Net decrease in cash and cash equivalents.....	(3,808)	(4,125)
Cash and cash equivalents at beginning of period.....	15,364	22,153
Cash and cash equivalents at end of period.....	<u>\$ 11,556</u>	<u>\$ 18,028</u>
Cash paid for interest.....	<u>\$ 488</u>	<u>\$ 626</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>As of December 31,</u>	
	<u>2001</u>	<u>2000</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,364	\$ 22,153
Restricted assets — investment in certificates of deposit	300	201
Subscriber receivables, net of allowance for doubtful accounts of \$137 and \$246, respectively	545	870
Other receivables	510	1,105
Prepaid expenses and other	<u>943</u>	<u>2,085</u>
Total current assets	<u>17,662</u>	<u>26,414</u>
Systems and equipment, net	22,670	42,159
License and leased license investment, net	57,586	69,713
Lease receivable	1,974	2,377
Other assets, net	<u>4,290</u>	<u>2,617</u>
Total Assets	<u>\$104,182</u>	<u>\$143,280</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 12,627	\$ 13,165
Current portion of long-term debt and capital lease obligations	<u>2,423</u>	<u>2,339</u>
Total current liabilities	<u>15,050</u>	<u>15,504</u>
Long-term debt and capital lease obligations, less current portion	10,601	12,622
Other long-term liabilities	4,878	5,470
Stockholders' equity:		
Preferred stock, \$.01 par value; 15,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value; 30,000,000 shares authorized; 10,402,814 and 10,228,935 shares issued and outstanding, respectively	10	10
Additional paid-in capital	153,822	148,997
Accumulated deficit	<u>(80,179)</u>	<u>(39,323)</u>
Total stockholders' equity	<u>73,653</u>	<u>109,684</u>
Commitments and contingencies		
Total Liabilities and Stockholders' Equity	<u>\$104,182</u>	<u>\$143,280</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

<u>Predecessor</u>	<u>Successor</u>		<u>Period from Effective Date to December 31, 1999</u>	<u>Period from January 1, 1999 to Effective Date</u>
	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>		
Revenues.....	\$ 49,780	\$ 61,046	\$ 52,009	\$ 18,466
Operating expenses:				
System operations.....	25,703	28,437	23,767	8,599
Selling, general and administrative.....	25,510	32,811	26,125	9,156
Depreciation and amortization.....	25,670	27,321	19,167	6,104
Impairment of long-lived assets.....	14,100	—	—	—
Total operating expenses.....	<u>90,983</u>	<u>88,569</u>	<u>69,059</u>	<u>23,859</u>
Operating loss.....	(41,203)	(27,523)	(17,050)	(5,393)
Other income (expense):				
Interest income.....	984	1,976	1,160	423
Interest expense.....	(1,226)	(1,371)	(826)	(321)
Other.....	<u>589</u>	<u>4,839</u>	<u>483</u>	<u>2</u>
Total other income (expense).....	<u>347</u>	<u>5,444</u>	<u>817</u>	<u>104</u>
Loss before reorganization costs and extraordinary item.....	(40,856)	(22,079)	(16,233)	(5,289)
Reorganization costs	<u>—</u>	<u>—</u>	<u>(1,011)</u>	<u>(2,311)</u>
Loss before extraordinary item.....	<u>\$ (40,856)</u>	<u>(22,079)</u>	<u>(17,244)</u>	<u>(7,600)</u>
Extraordinary item — gain on extinguishment of debt, net of tax.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>173,783</u>
Net income (loss).....	<u>\$ (40,856)</u>	<u>\$ (22,079)</u>	<u>\$ (17,244)</u>	<u>\$166,183</u>
Net loss per new common share — basic and diluted.....	<u>\$ (3.95)</u>	<u>\$ (2.17)</u>	<u>\$ (1.71)</u>	<u>N/A</u>
Average shares outstanding — basic and diluted.....	<u>10,333</u>	<u>10,170</u>	<u>10,056</u>	<u>N/A</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<u>Predecessor</u>	<u>Successor</u>			
	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>	<u>Period from Effective Date to December 31, 1999</u>	<u>Period from January 1, 1999 to Effective Date</u>
Cash flows from operating activities:				
Net income (loss)	\$ (40,856)	\$ (22,079)	\$ (17,244)	\$ 166,183
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	25,670	27,321	19,167	6,104
Impairment of long-lived assets	14,100	—	—	—
Compensation expense related to issuance of common stock and stock options	251	169	—	—
Extraordinary item — debt extinguishment	—	—	—	(173,783)
Gain on sale of assets	(517)	(4,951)	—	—
Write down of Fresh Start intangible assets	2,530	—	—	—
Changes in operating assets and liabilities:				
Restricted assets	299	50	361	—
Subscriber and other receivables	957	683	1,550	(954)
Prepaid expenses and other	(1,832)	483	405	(158)
Accounts payable, accrued expenses and other liabilities	(3,537)	(3,618)	1,354	5,057
Net cash provided by (used in) operating activities	<u>(2,935)</u>	<u>(1,942)</u>	<u>5,593</u>	<u>2,449</u>
Cash flows from investing activities:				
Proceeds from sale of investment in affiliate	—	4,550	—	—
Proceeds from sale of assets	381	780	6,072	—
Purchases of systems and equipment	(2,045)	(7,096)	(10,078)	(5,081)
Expenditures for licenses and leased licenses	(400)	(3,239)	(121)	(16)
Expenditures for other long-term assets	(150)	—	—	—
Collections of note and lease receivable	366	453	178	138
Net cash used in investing activities	<u>(1,848)</u>	<u>(4,552)</u>	<u>(3,949)</u>	<u>(4,959)</u>
Cash flows from financing activities:				
Payments of long-term debt	(1,627)	(1,480)	(1,032)	(335)
Payments on short-term borrowings and other notes payable	(379)	(309)	(333)	(241)
Proceeds from exercise of stock options	—	1,504	1,063	—
Net cash used in financing activities	<u>(2,006)</u>	<u>(285)</u>	<u>(302)</u>	<u>(576)</u>
Net increase (decrease) in cash and cash equivalents	(6,789)	(6,779)	1,342	(3,086)
Cash and cash equivalents at beginning of period	<u>22,153</u>	<u>28,932</u>	<u>27,590</u>	<u>30,676</u>
Cash and cash equivalents at end of period	<u>\$ 15,364</u>	<u>\$ 22,153</u>	<u>\$ 28,932</u>	<u>\$ 27,590</u>
Cash paid for interest	<u>\$ 1,194</u>	<u>\$ 1,349</u>	<u>\$ 762</u>	<u>\$ 391</u>
Cash paid for reorganization costs	<u>\$ —</u>	<u>\$ 525</u>	<u>\$ 891</u>	<u>\$ 2,311</u>
Non-cash financing activities:				
Incurrence of capital lease obligations	<u>\$ —</u>	<u>\$ 294</u>	<u>\$ 2,180</u>	<u>\$ —</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>As of December 31,</u>	
	<u>2000</u>	<u>1999</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,153	\$ 28,932
Restricted assets — investment in certificates of deposit	201	251
Subscriber receivables, net of allowance for doubtful accounts of \$246 and \$407, respectively	870	1,342
Other receivables	1,105	1,297
Prepaid expenses and other	<u>2,085</u>	<u>1,228</u>
Total current assets	26,414	33,050
Systems and equipment, net	42,159	55,993
License and leased license investment, net	69,713	73,310
Note and lease receivables	2,377	2,849
Other assets, net	<u>2,617</u>	<u>3,609</u>
Total Assets	<u>\$143,280</u>	<u>\$168,811</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 13,165	\$ 16,773
Current portion of long-term debt	<u>2,014</u>	<u>1,845</u>
Total current liabilities	<u>15,179</u>	<u>18,618</u>
Long-term debt, less current portion	12,947	14,671
Other long-term liabilities	5,470	5,477
Stockholders' equity		
Common stock, \$.001 par value; 30,000,000 shares authorized; 10,228,935 and 10,099,717 shares issued and outstanding, respectively	10	10
Preferred stock, \$.01 par value; 15,000,000 shares authorized; none issued	—	—
Additional paid-in capital	148,997	147,279
Accumulated deficit	<u>(39,323)</u>	<u>(17,244)</u>
Total stockholders' equity	<u>109,684</u>	<u>130,045</u>
Commitments and contingencies		
Total Liabilities and Stockholders' Equity	<u>\$143,280</u>	<u>\$168,811</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	<u>Successor</u>		<u>Predecessor</u>	
	<u>Year Ended December 31, 2000</u>	<u>Period from Effective Date to December 31, 1999</u>	<u>Period from January 1, 1999 to Effective Date</u>	<u>Year Ended December 31, 1998</u>
Revenues	\$ 61,046	\$ 52,009	\$ 18,466	\$ 73,989
Operating expenses:				
System operations	28,437	23,767	8,599	35,790
Selling, general and administrative	32,811	26,125	9,156	36,367
Depreciation and amortization	27,321	19,167	6,104	39,550
Impairment of long-lived assets	—	—	—	105,791
Total operating expenses	<u>88,569</u>	<u>69,059</u>	<u>23,859</u>	<u>217,498</u>
Operating loss	(27,523)	(17,050)	(5,393)	(143,509)
Other income (expense):				
Interest income	1,976	1,160	423	2,659
Interest expense	(1,371)	(826)	(321)	(37,095)
Equity in losses of affiliates	—	—	—	(30,340)
Other	<u>4,839</u>	<u>483</u>	<u>2</u>	<u>(10)</u>
Total other income (expense)	<u>5,444</u>	<u>817</u>	<u>104</u>	<u>(64,786)</u>
Loss before reorganization costs and extraordinary item	(22,079)	(16,233)	(5,289)	(208,295)
Reorganization costs	—	(1,011)	(2,311)	(3,266)
Loss before extraordinary item	(22,079)	(17,244)	(7,600)	(211,561)
Extraordinary item — gain on extinguishment of debt, net of tax	—	—	173,783	—
Net income (loss)	<u>\$ (22,079)</u>	<u>\$ (17,244)</u>	<u>\$166,183</u>	<u>\$ (211,561)</u>
Net loss per new common share — basic and diluted	<u>\$ (2.17)</u>	<u>\$ (1.71)</u>	<u>N/A</u>	<u>N/A</u>
Average shares outstanding — basic and diluted	<u>10,170</u>	<u>10,056</u>	<u>N/A</u>	<u>N/A</u>

NUCENTRIX BROADBAND NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>Successor</u>		<u>Predecessor</u>	
	<u>Year Ended</u> <u>December 31,</u> <u>2000</u>	<u>Period from</u> <u>Effective Date to</u> <u>December 31,</u> <u>1999</u>	<u>Period from</u> <u>January 1,</u> <u>1999 to</u> <u>Effective Date</u>	<u>Year Ended</u> <u>December 31,</u> <u>1998</u>
Cash flows from operating activities:				
Net income (loss).....	\$ (22,079)	\$ (17,244)	\$ 166,183	\$ (211,561)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization.....	27,321	19,167	6,104	39,550
Debt accretion and debt issuance cost amortization.....	—	—	—	5,686
Equity in losses of affiliates.....	—	—	—	30,340
Compensation expense related to issuance of common stock and stock options.....	169	—	—	63
Write-down of assets due to impairment.....	—	—	—	105,791
Extraordinary item — debt extinguishment.....	—	—	(173,783)	—
Gain on sale of assets.....	(4,951)	—	—	—
Changes in operating assets and liabilities, net of acquisitions:				
Restricted assets.....	50	361	—	—
Subscriber and other receivables.....	683	1,550	(954)	(674)
Prepaid expenses and other.....	483	405	(158)	(132)
Accounts payable, accrued expenses and other liabilities.....	(3,618)	1,354	5,057	22,560
Net cash provided by (used in) operating activities.....	<u>(1,942)</u>	<u>5,593</u>	<u>2,449</u>	<u>(8,377)</u>
Cash flows from investing activities:				
Proceeds from note receivable — affiliate.....	—	—	—	366
Proceeds from sale of investment in affiliate.....	4,550	—	—	1,534
Proceeds from sale of assets.....	780	6,072	—	236
Purchases of systems and equipment.....	(7,096)	(10,078)	(5,081)	(13,473)
Expenditures for licenses and leased licenses.....	(3,239)	(121)	(16)	—
Purchase of debt securities.....	—	—	—	(69)
Proceeds from sale of debt securities.....	—	—	—	9,368
Collections of note and lease receivable.....	453	178	138	—
Net cash used in investing activities.....	<u>(4,552)</u>	<u>(3,949)</u>	<u>(4,959)</u>	<u>(2,038)</u>
Cash flows from financing activities:				
Payments of long-term debt.....	(1,480)	(1,032)	(335)	(327)
Payments on short-term borrowings and other notes payable.....	(309)	(333)	(241)	(1,403)
Proceeds from exercise of stock options.....	1,504	1,063	—	—
Net cash used in financing activities.....	<u>(285)</u>	<u>(302)</u>	<u>(576)</u>	<u>(1,730)</u>
Net increase (decrease) in cash and cash equivalents.....	(6,779)	1,342	(3,086)	(12,145)
Cash and cash equivalents at beginning of period.....	28,932	27,590	30,676	42,821
Cash and cash equivalents at end of period.....	<u>\$ 22,153</u>	<u>\$ 28,932</u>	<u>\$ 27,590</u>	<u>\$ 30,676</u>
Cash paid for interest.....	<u>\$ 1,349</u>	<u>\$ 762</u>	<u>\$ 391</u>	<u>\$ 10,416</u>
Cash paid for reorganization costs.....	<u>\$ 525</u>	<u>\$ 891</u>	<u>\$ 2,311</u>	<u>\$ 2,921</u>
Non-cash financing activities:				
Incurrence of capital lease obligations.....	<u>\$ 294</u>	<u>\$ 2,180</u>	<u>\$ —</u>	<u>\$ —</u>